

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3100

Section 21/22

§AS 43.55.160(d) provides specific examples of, and exclusions from, “direct costs”

CSSB 305 has several improvements recommended by the Administration: e.g.,

- (d)(1)(A) and (d)(2)(A), clarifying treatment of capitalized expenditures
- (d)(2)(L), ensuring that conservation surcharges are not deductible

CSSB 305, Section 22 (cont.)

CSSB 305 has several additional exclusions:

- (d)(2)(M) Costs of dismantlement, removal, restoration, etc., re: previous oil or gas production
- (d)(2)(N) Costs above fair market value, in non-arm's length transactions
- (d)(2)(O) Costs to acquire a company

SB 305, Section 21

AS 43.55.160(e)

[Lease expenditures must be by the producer for (1) another's use of a production facility; (2) reimbursement, e.g. field costs paid by state, that offset lease expenditures; and (3) sale of assets acquired through lease expenditures or of non-taxable oil or gas used in lease operations.]

CSSB 305, Section 22

AS 43.55.160(e)

[Lease expenditures must be by the producer for (1) another's use of – or for managing -- a production facility; (2) reimbursement, e.g. field costs paid by state, that offset lease expenditures; and (3) sale – or removal from the state – of assets acquired through lease expenditures or of non-taxable oil or gas used in lease operations.]

CSSB 305, Section 22

AS 43.55.160(a), (b)(2), and (e)

At the Administration's recommendation, the CS addresses potential timing mismatches between lease expenditures and adjustments, ensuring that the tax effect of an adjustment will be recognized even if a producer or explorer has no production, or has low lease expenditures, when an adjustment payment is received.

CSSB 305, Section 22

AS 43.55.160(k) and (l)

For purposes of (1) excluding from lease expenditures costs that exceed fair market value, and (2) determining the amount of an adjustment to lease expenditures due to the sale of an asset, standard = “a producer dealing at arm’s length with an uncontrolled entity”; and IRS rules may be adopted.

SB 305, Section 21

AS 43.55.160(g)

... transitional investment expenditures are ...
[incurred
] ... less ... [proceeds from] the
... acquired ... as a result of [those] capital
expenditures

[This provision is *not* in the CS; instead CS provides for a tax credit for some transitional investment expenditures.]

SB 305, Section 21

AS 43.55.160(i)

... a producer that is ... may reduce the
net value by ... [T]he
total of the allowances ... during the calendar year
does . . . An unused
allowance ... may

[This provision is *not* in the CS; instead CS provides for an allowance that depends on the average daily oil and gas production.]

CSSB 305, Section 22

AS 43.55.160(g)

... a producer that is under 55,000 BOE/day ... and produces
by ... equal to the

following fraction of the production tax value:

$(5,000 - 0.2 * [\text{average daily production} - 5,000]) \div$
average daily production

CSSB 305, Section 22

AS 43.55.160(h) – producer's qualification for an allowance - ability to qualify expires in 2013

This is an anti-splitting provision to prevent abuse of the *per producer* allowance under AS 43.55.160(g).

It is essentially the same anti-splitting provision that is in sec. 21 of the original bill, for the \$73 million *per producer* allowance.

SB 305, Section 7
CSSB 305, Section 7

AS 43.55.020(a)

... the tax levied under AS 43.55.011,
applied under this chapter, is due

... the tax levied under AS 43.55.011(e) . . .
applied under this chapter, is
due

SB 305, Section 12
CSSB 305, Section 13

AS 43.55.024(a)

... a producer ... that incurs a
... may ... elect ... to
take a ... in the amount of
of that expenditure.

CSSB 305, Section 13 (cont.)

~~AS~~ 43.55.024(h)(2)

“qualified capital expenditure” does not include

an expenditure incurred . . . for . . . an extended period of disuse, dismantlement, removal . . . or abandonment . . . or for the restoration of a lease, field, [etc.]

HB 305 Section 12 (cont.)

AS 43.55.024(b)

A producer may elect to take a

... of ... of a carried-forward

[which is the amount of a previous year's
that were

because they would have reduced the net value
of the oil and gas below zero].

CSHB 305 Section 13 (cont.)

AS 43.55.024(b)

A producer . . . may elect to take a
. . . of 25 . . . of a carried-forward
[which is the amount of a previous year's
that were
because they would have reduced the
production tax value of the oil and gas below
zero].

Section 12/13 (cont.)

AS 43.55.024(d) – (f)

A producer entitled to a tax credit may apply to the Dep't of Revenue for a

. Once issued, a certificate may be used for its face value, but a transferee may not apply a certificate to reduce its tax liability by more than during a calendar year.

CSSB 305, Section 13 (cont.)

AS 43.55.024(i) – nontransferable credit for transitional investment expenditures

... transitional investment expenditures [TIE] are
... [incurred 4
4 ,] ... less ... [proceeds from]
the ... acquired ... as a result
of [those] capital expenditures

CSSB 305, Section 13 (cont.)

AS 43.55.024(i) (cont.)

- a producer may . . . take a tax credit . . . of 20 percent of the producer's [TIE] but only [up to] one-half of the producer's qualified capital expenditures . . . during the month
- credits are non-transferable
- credit provision expires April 1, 2013

SB 305, Sections 22-29
CSSB 305, Sections 23-26

Original bill allowed a to be taken for.
conservation surcharge payments; CS does
not.

CS reduces sec. 201 surcharge from \$.02 to
\$.01 per barrel and increases sec. 300
surcharge from \$.03 to \$.05 per barrel.

SB 305, Section 7

of production tax, net of
credits, is due

The remainder is due of the next
calendar year.

CSSB 305, Sections 7, 12

AS 43.55.020(e) and (f)

- 95 percent of principal production tax (AS 43.55.011(e)), net of credits, due each month. Remaining portion due at end of next calendar quarter.
- 100 percent of tax on lessor royalty interest (AS 43.55.011(f)) due each month.
- Bill does not specify payment of progressive-rate oil tax (AS 43.55.011(g)).

SB 305, Section 9

• • CSSB 305, Section 9

[P]roducer may deduct [from royalty] the amount of the tax paid on taxable royalty oil and gas . . .

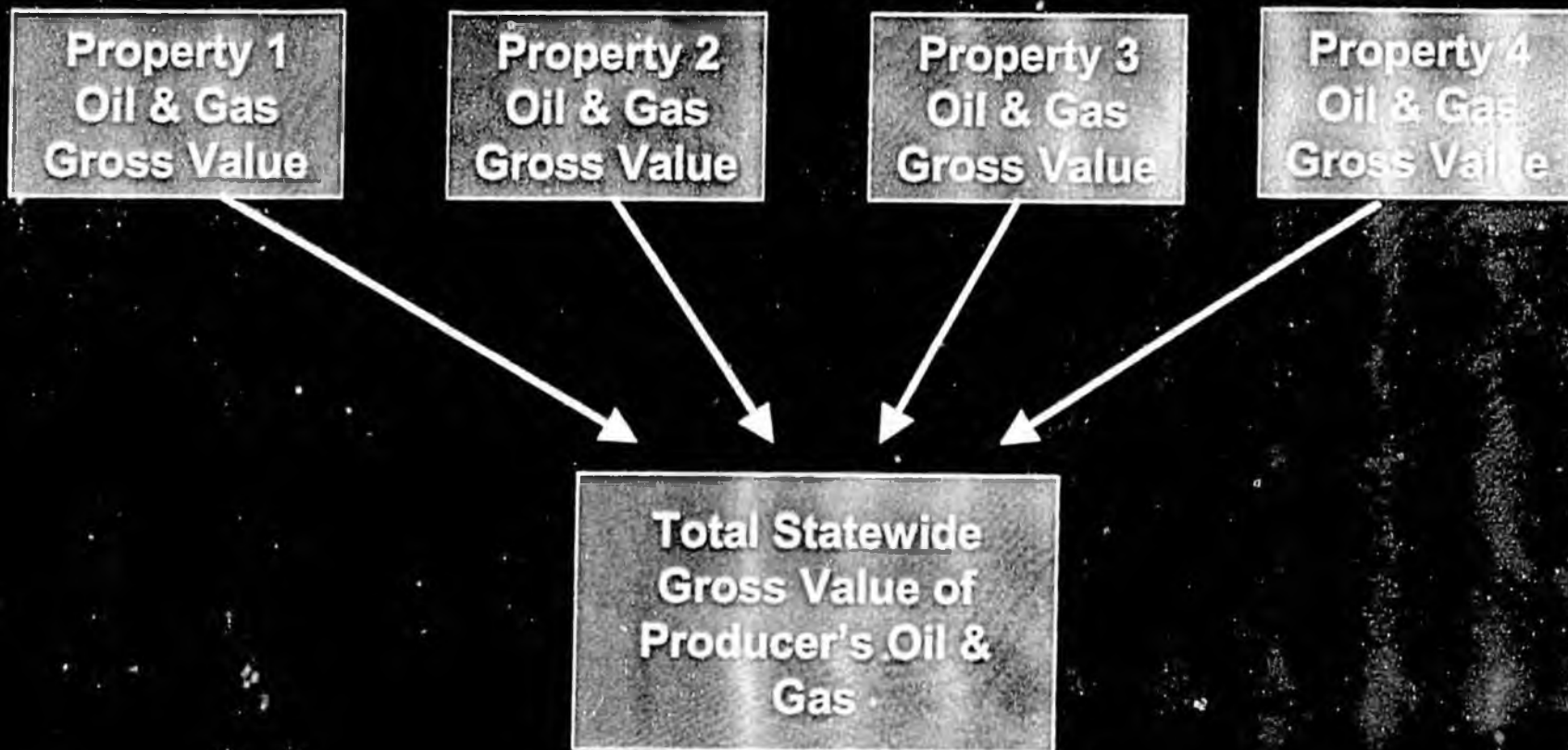
- Original bill provides a default formula for allocating the 20% tax on net value to royalty share.
- CS provides a slightly different formula for allocating the 25% tax on net value (“production tax value”) to *non-lessor* royalty share.

STEPS IN TAX CALCULATION

Under CSSB 305 (RES)

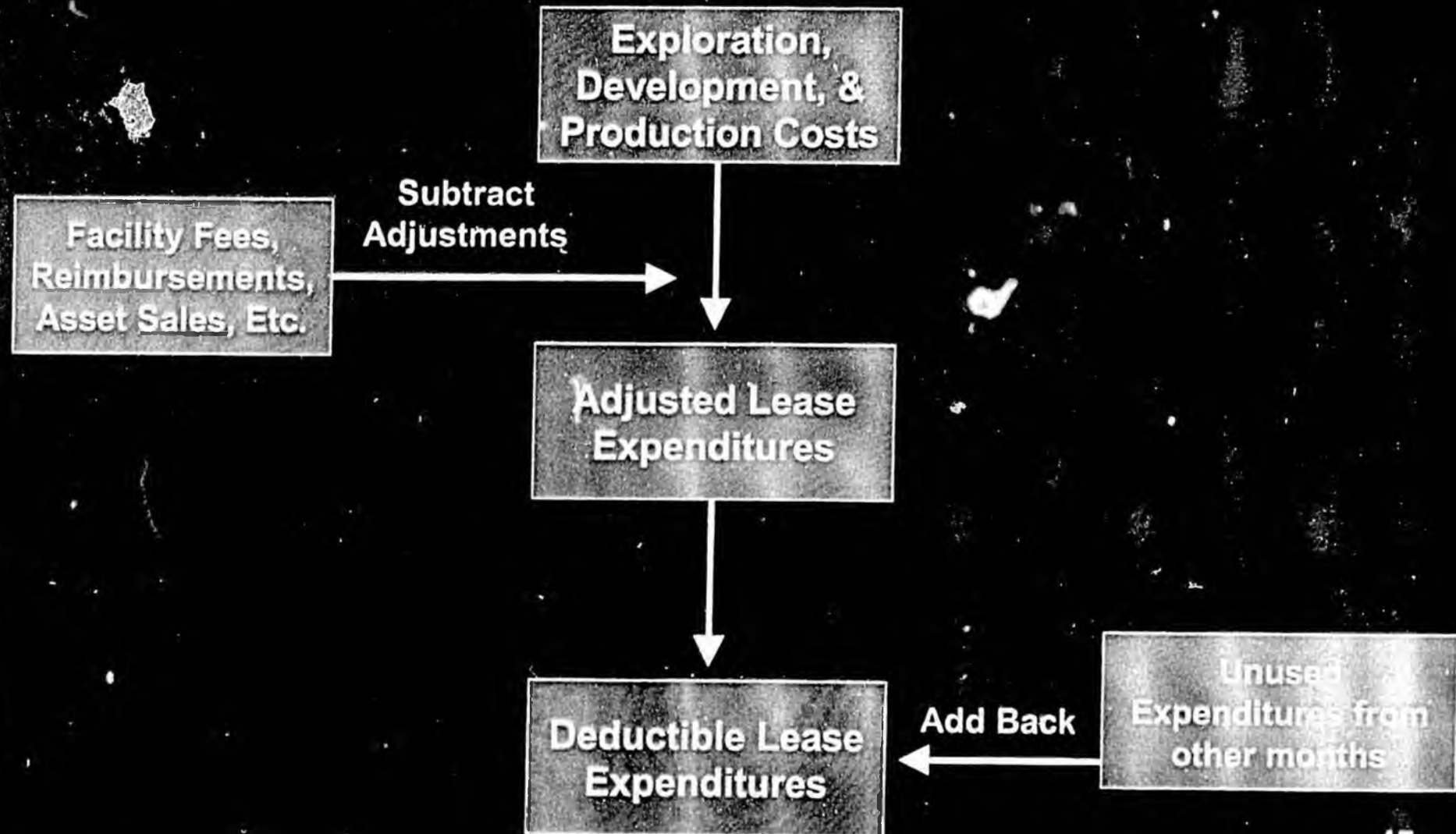
GROSS VALUE OF OIL AND GAS

AS 43.55.150, AS 43.55.900



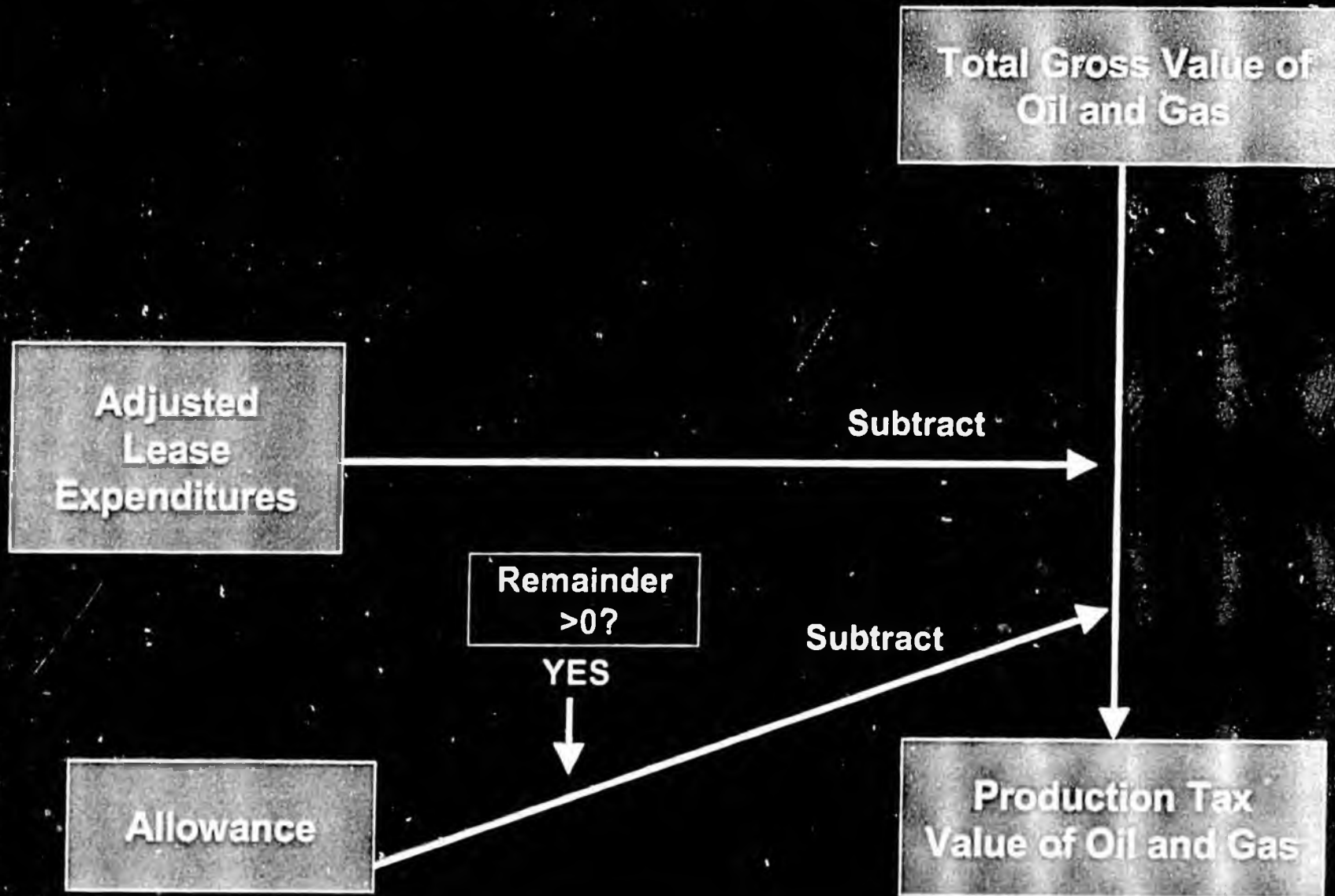
LEASE EXPENDITURES

AS 43.55.160(b) – (e)



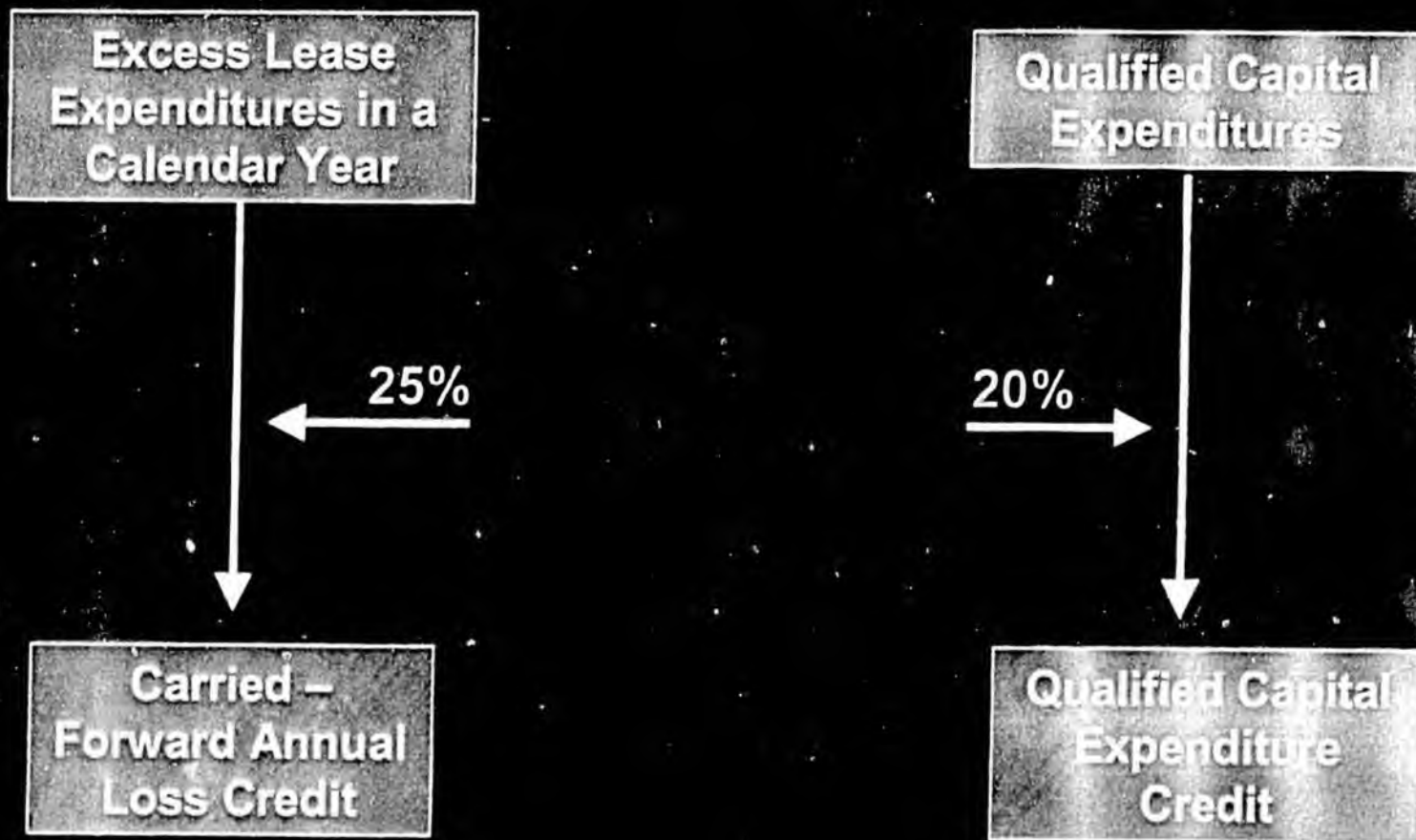
PRODUCTION TAX VALUE

AS 43.55.160 (a) and (g)

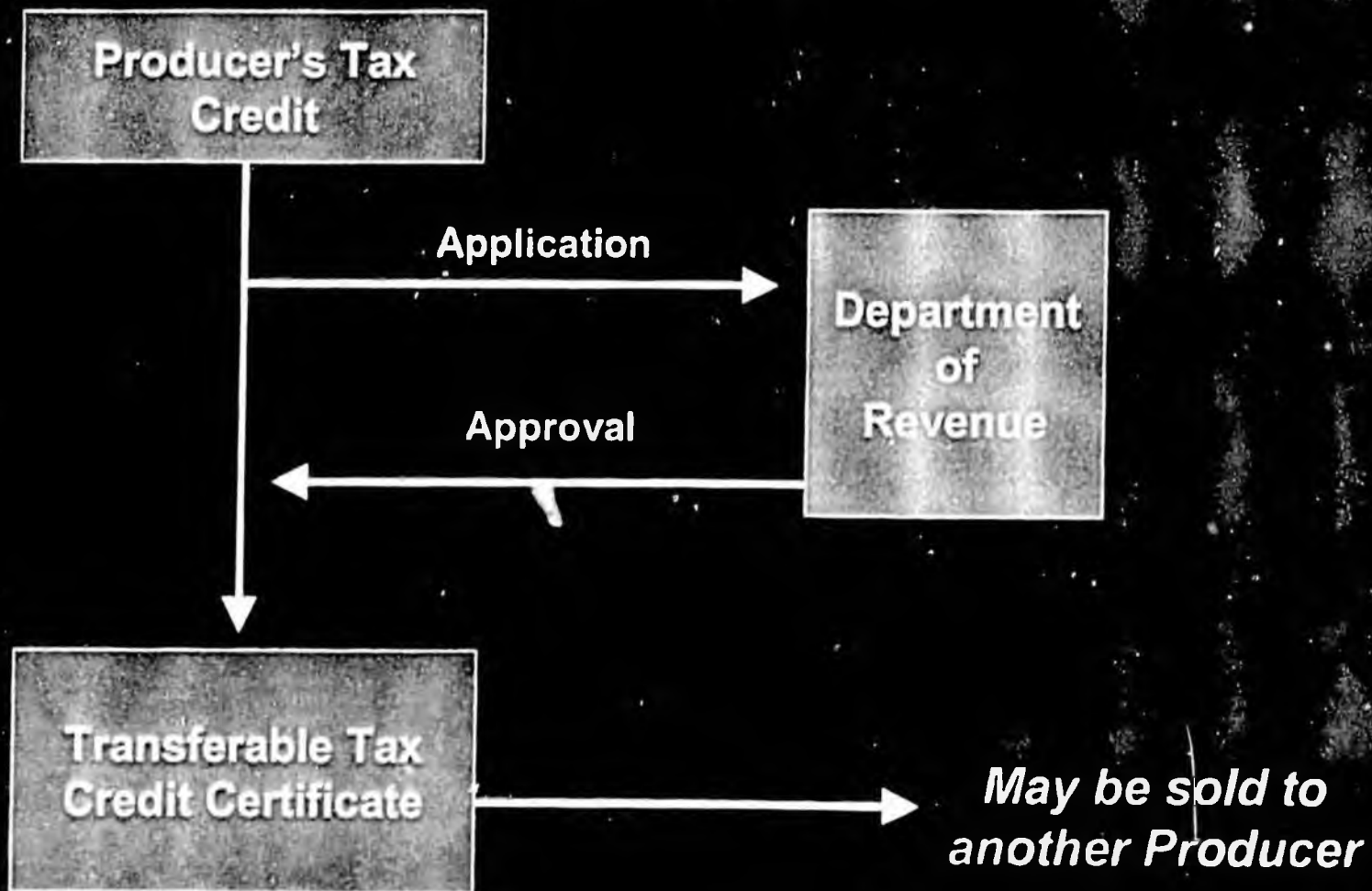


SEC. 024 TRANSFERABLE TAX CREDITS

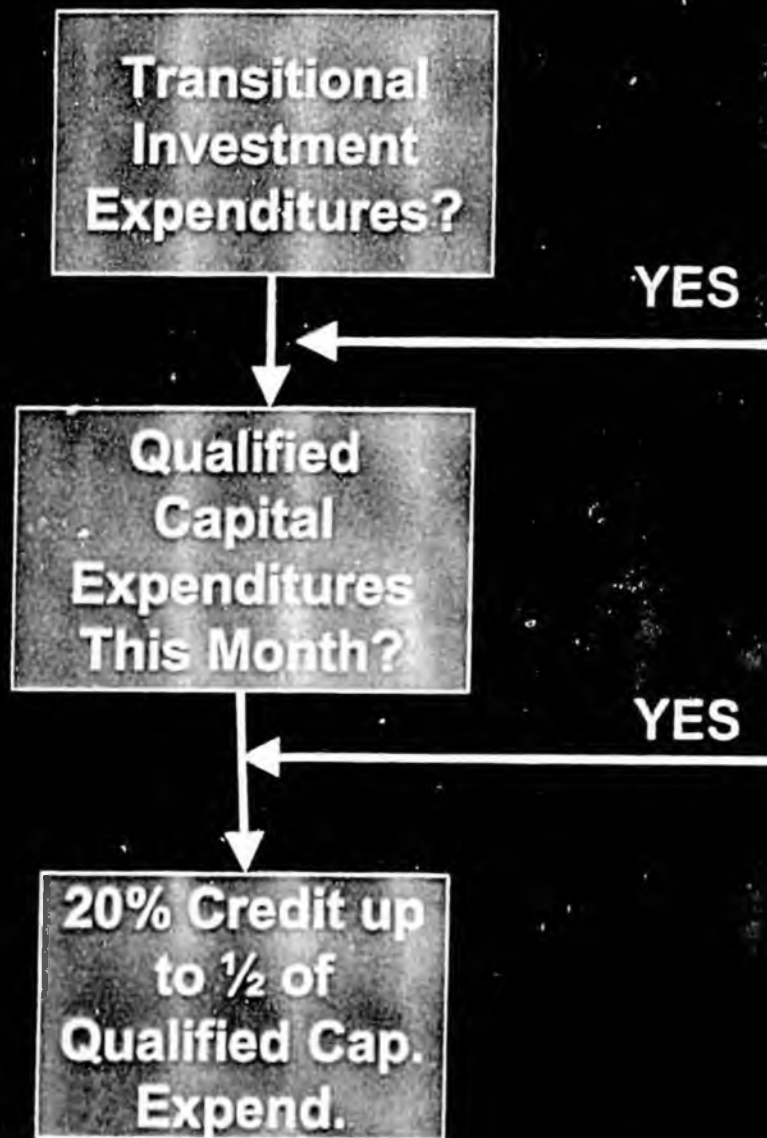
AS 43.55.024 (a) and (b)



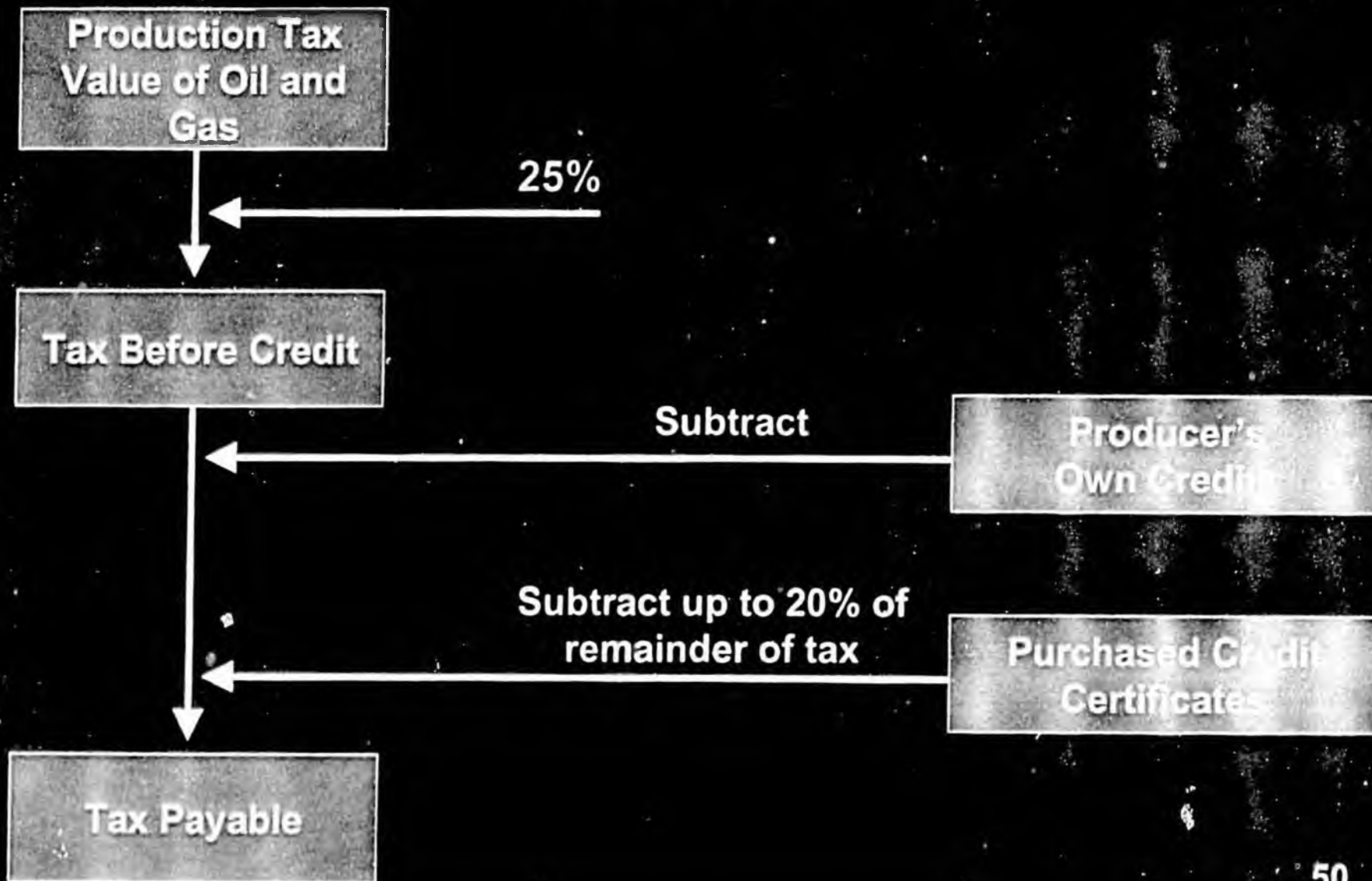
TRANSFERABLE TAX CREDIT CERTIFICATES - AS 43.55.024 (d)-(f)



TIE CREDIT 43.55.024(i)



TAX CALCULATION: AS 43.55.011(e), 43.55.024



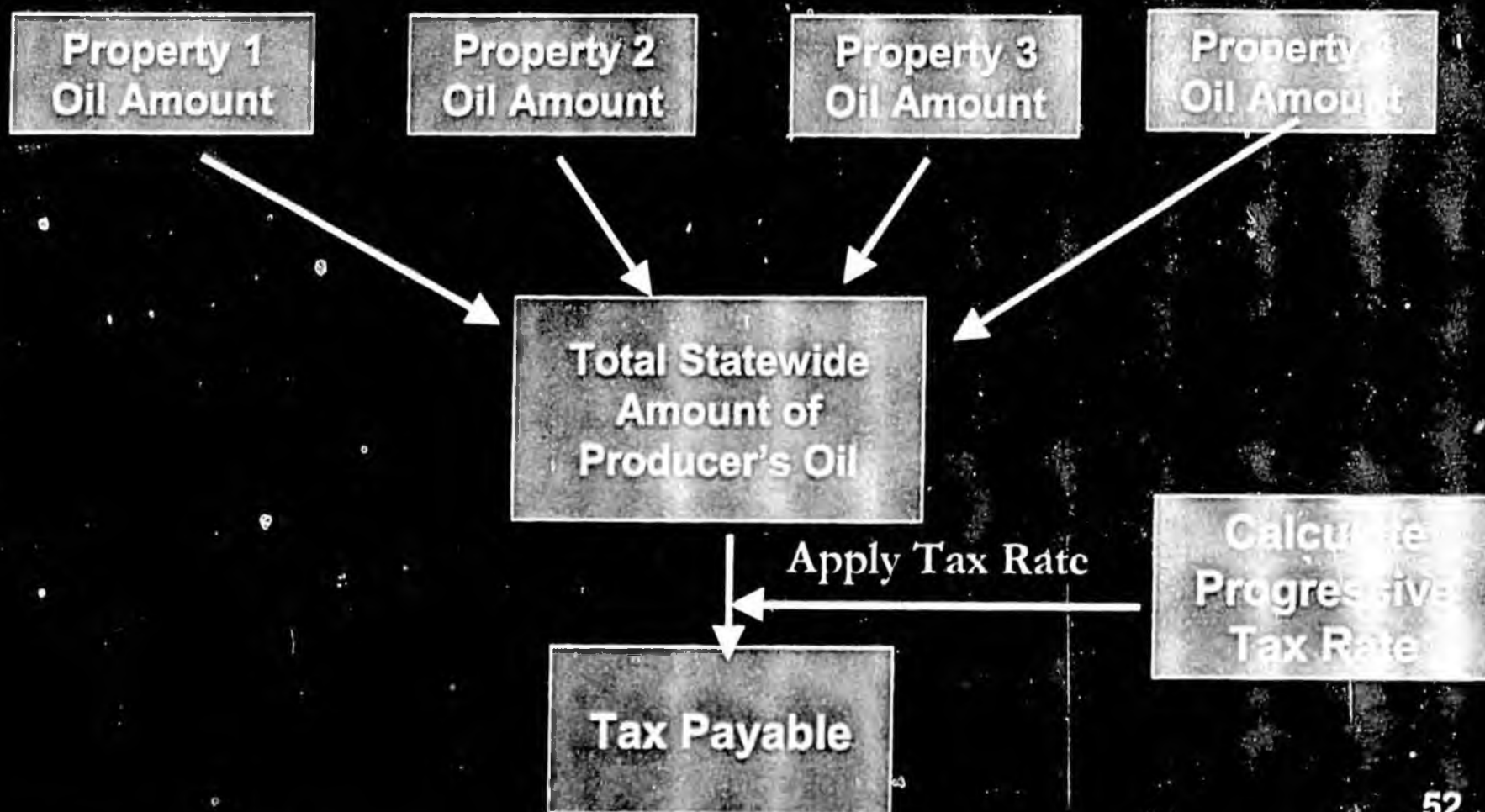
TAX CALCULATION: AS 43.55.011(f)

Gross Value at Point of
Production of Lessor's
Royalty Share of Oil and
Gas

Multiply by 1.5 % (Cook Inlet) or 5%

Tax Payable

TAX CALCULATION: AS 43.55.011(g)



TAX PAYMENT

AS 43.55.020(e)

Tax Payable on Oil and Gas
Produced in a Month

95%

Remainder

Remaining Tax for
Other Months in
Calendar Quarter

Payment Due at
End of Next Month

Payment Due End of
Next Calendar Quarter

TAX PAYMENT AS 43.55.020(f)

Tax Payable on Oil and Gas
Produced in a Month

- 100%



Total Due at End of
Next Month

PPT: Comparing the Options

Presentation to the Senate Finance
Committee

April 3, 2006

Robynn J. Wilson, CPA, Tax Director

Dan Dickinson, CPA, Consultant

Effective Dates & payments

- ◆ Governor's bill
 - Effective 7/1/06

- ◆ House CS & Senate CS
 - Effective 4/1/06

Effective Dates & payments

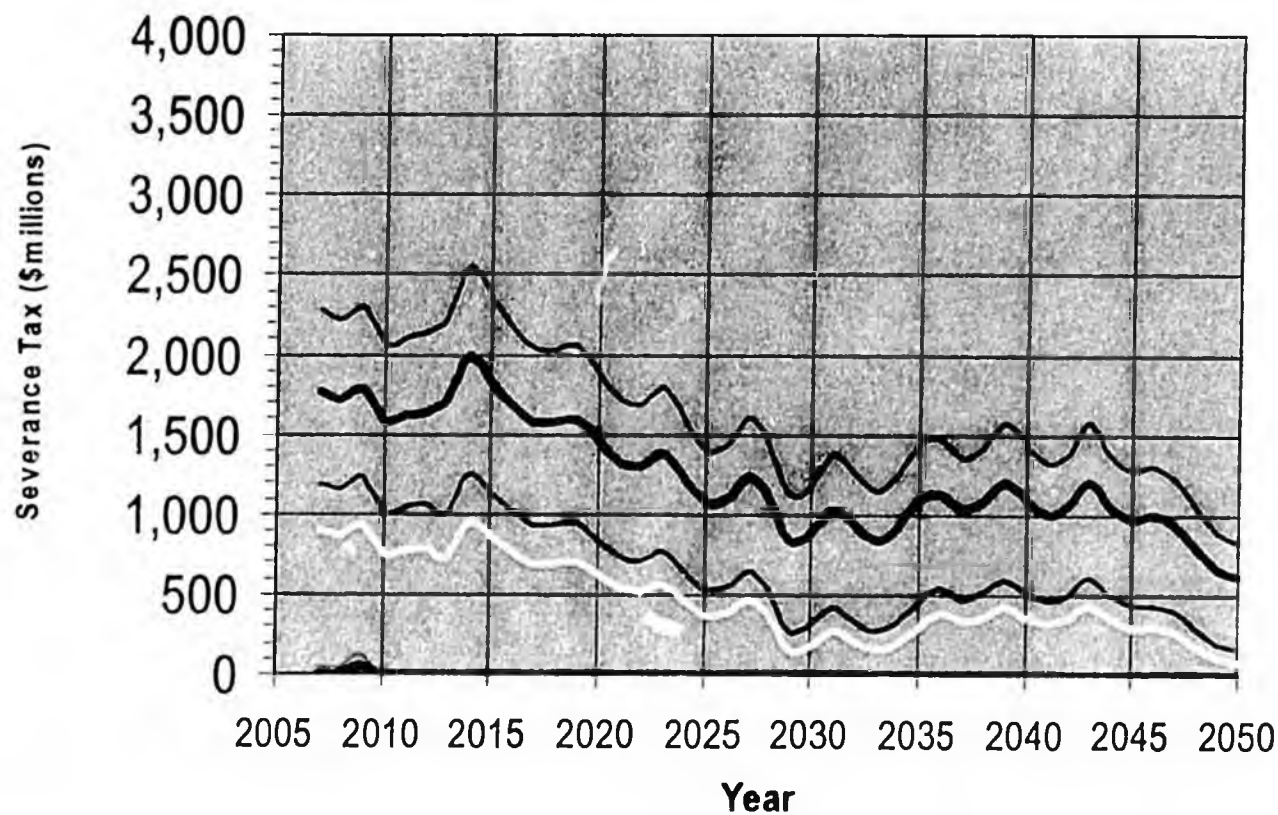
◆ Governor's bill

- Effective 7/1/06

◆ House CS & Senate CS

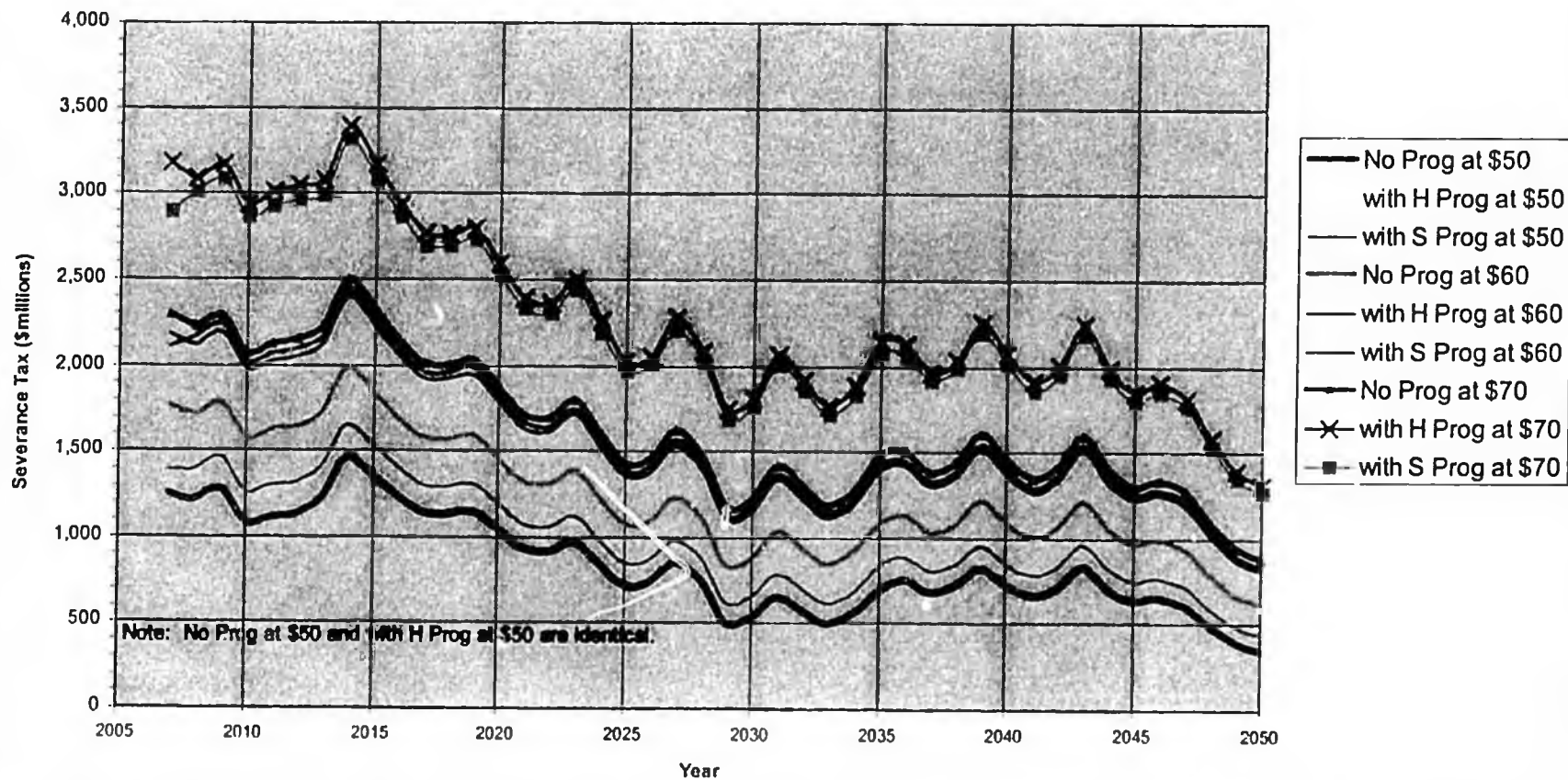
- Effective 4/1/06
- 6 mo. payment on ELF system, 7th mo. true-up

Tax Rate
Annual Oil Severance Tax (Millions of 2005 Dollars)
High Volume Scenario, \$20, \$40, and \$60 per bbl
Governor's PPT at 20/20 and 25/20

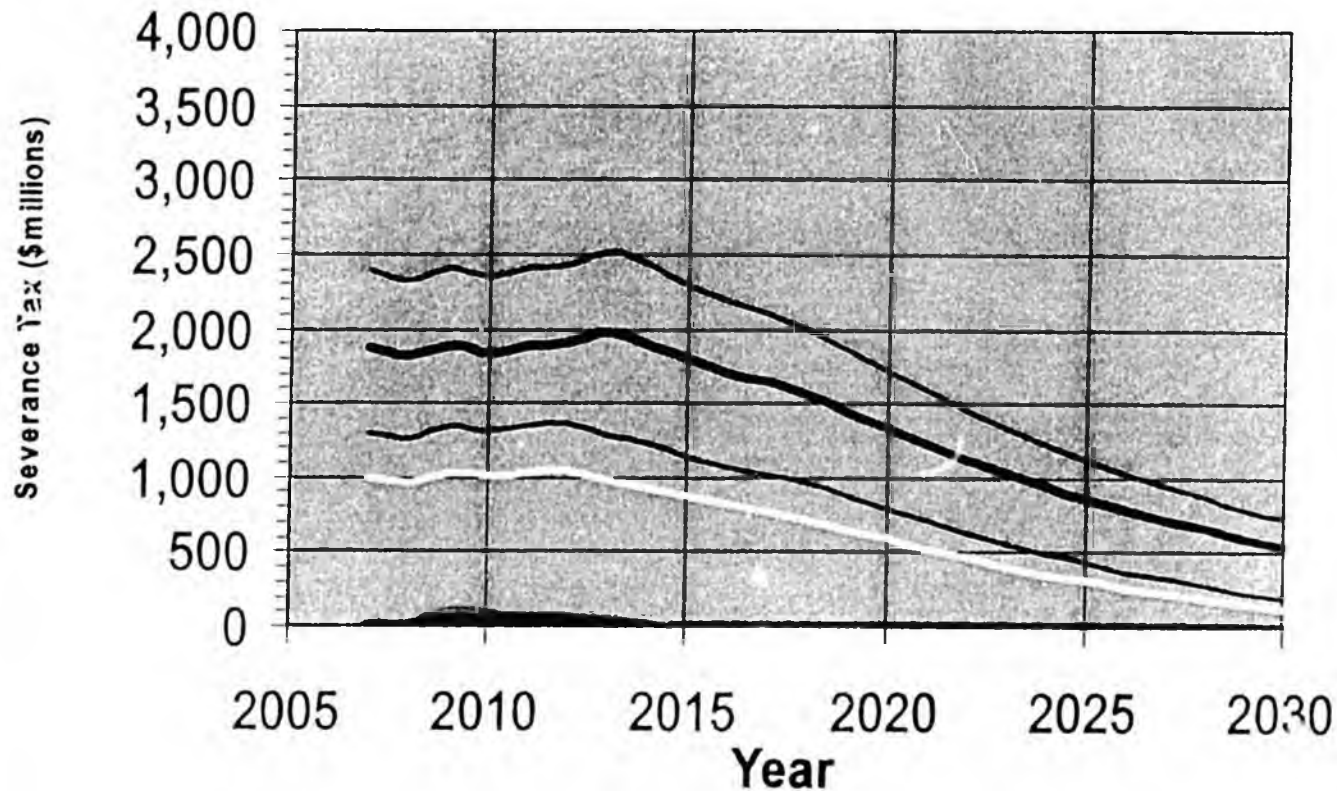


— 20/20 at \$20 20/20 at \$40 — 20/20 at \$60 — 25/20 at \$20 — 25/20 at \$40 — 25/20 at \$60

Effect of Progressivity
Annual Oil Severance Tax (Millions of 2005 Dollars)
High Volume Scenario, \$50, \$60, and \$70 per bbl
Governor's Bill as Written, with House Progressivity, and with Senate Progressivity



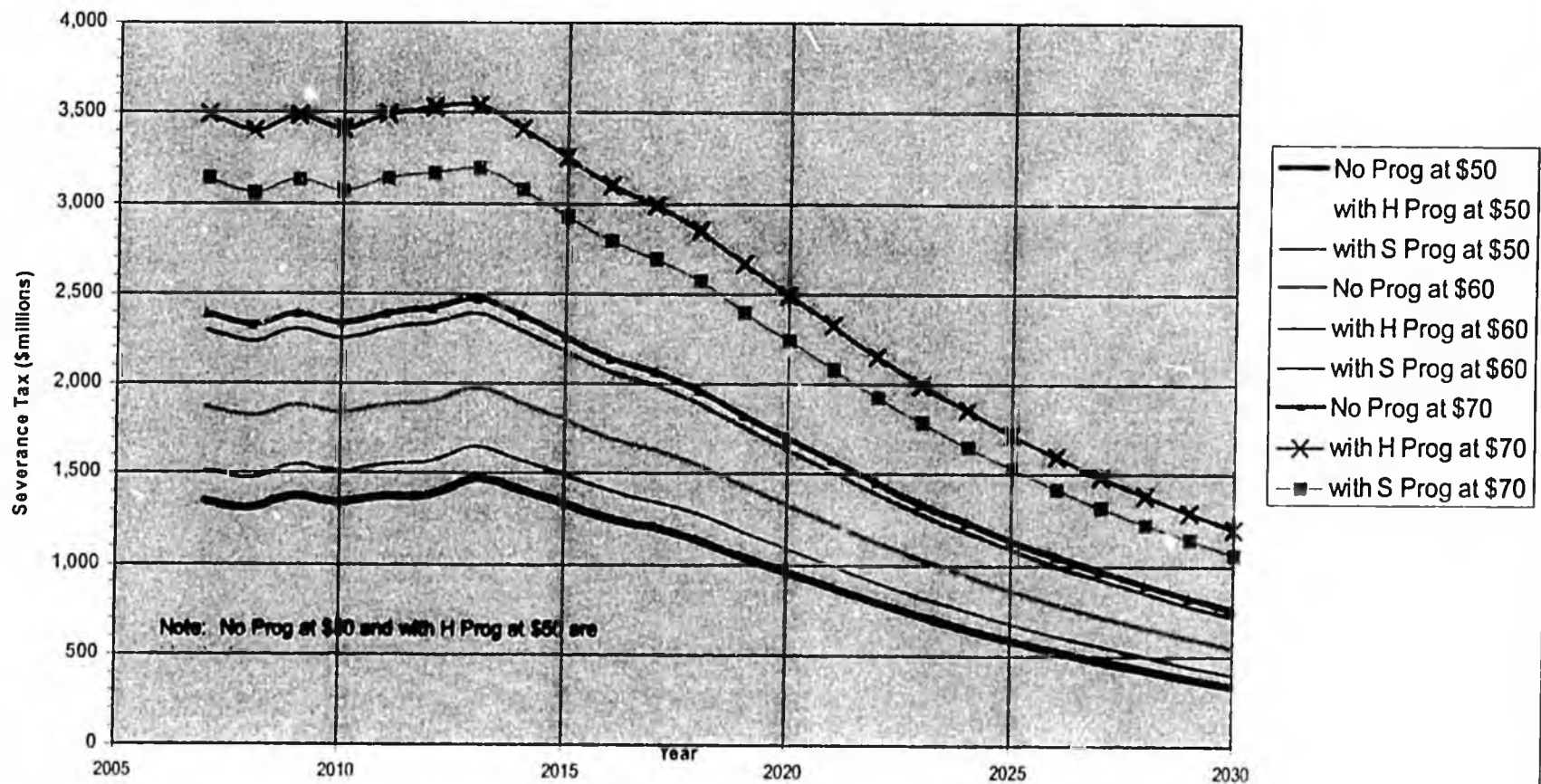
Tax Rate
Annual Oil Severance Tax (Millions of 2005 Dollars)
Low Volume Scenario, \$20, \$40, and \$60 per bbl
Governor's PPT at 20/20 and 25/20



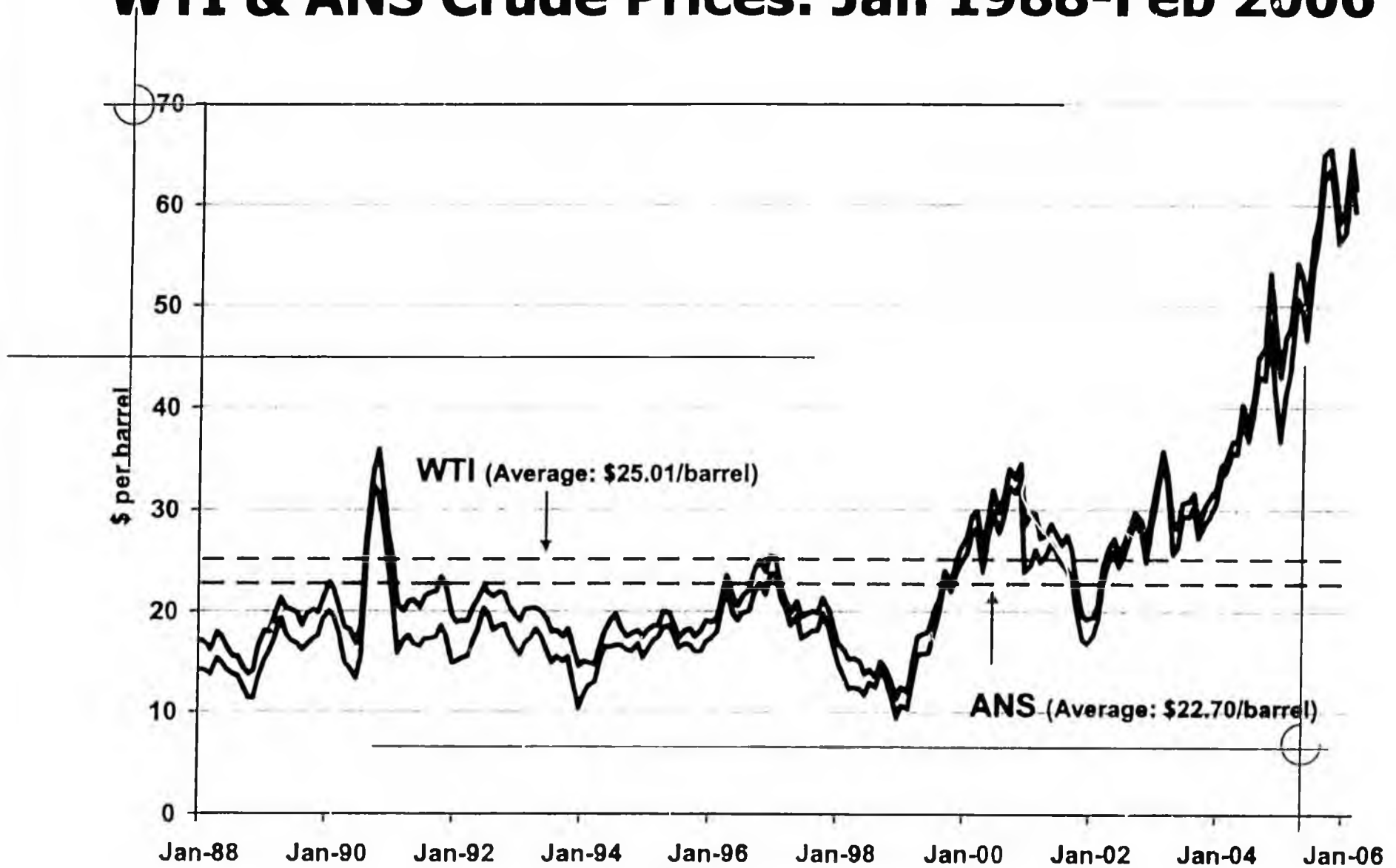
20/20 at \$20
 20/20 at \$40
 20/20 at \$60
 25/20 at \$20
 25/20 at \$40
 25/20 at \$60

Effect of Progressivity

Annual Oil Severance Tax (Millions of 2005 Dollars)
Low Volume Scenario, \$50, \$60, and \$70 per bbl
Governor's Bill as Written, with House Progressivity, and with Senate Progressivity

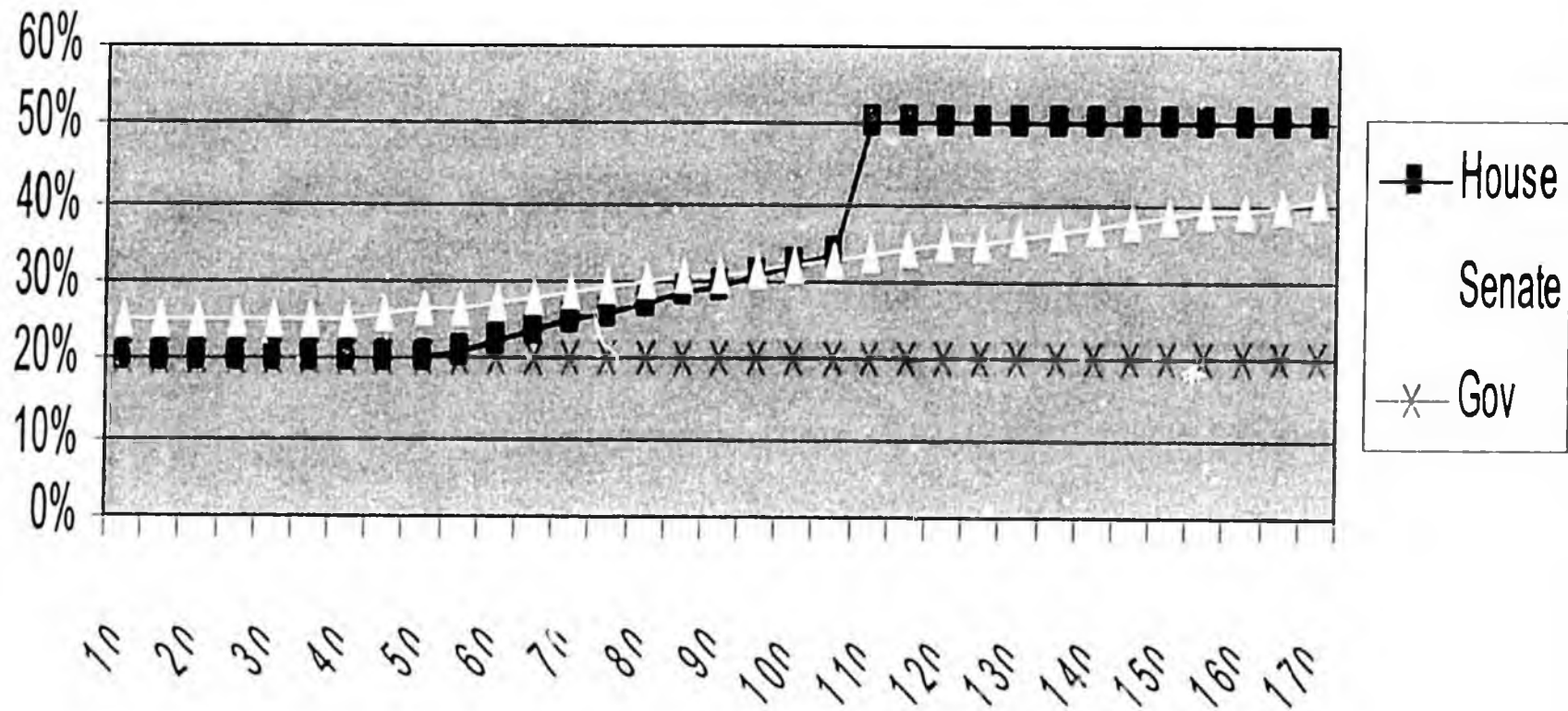


WTI & ANS Crude Prices: Jan 1988-Feb 2006

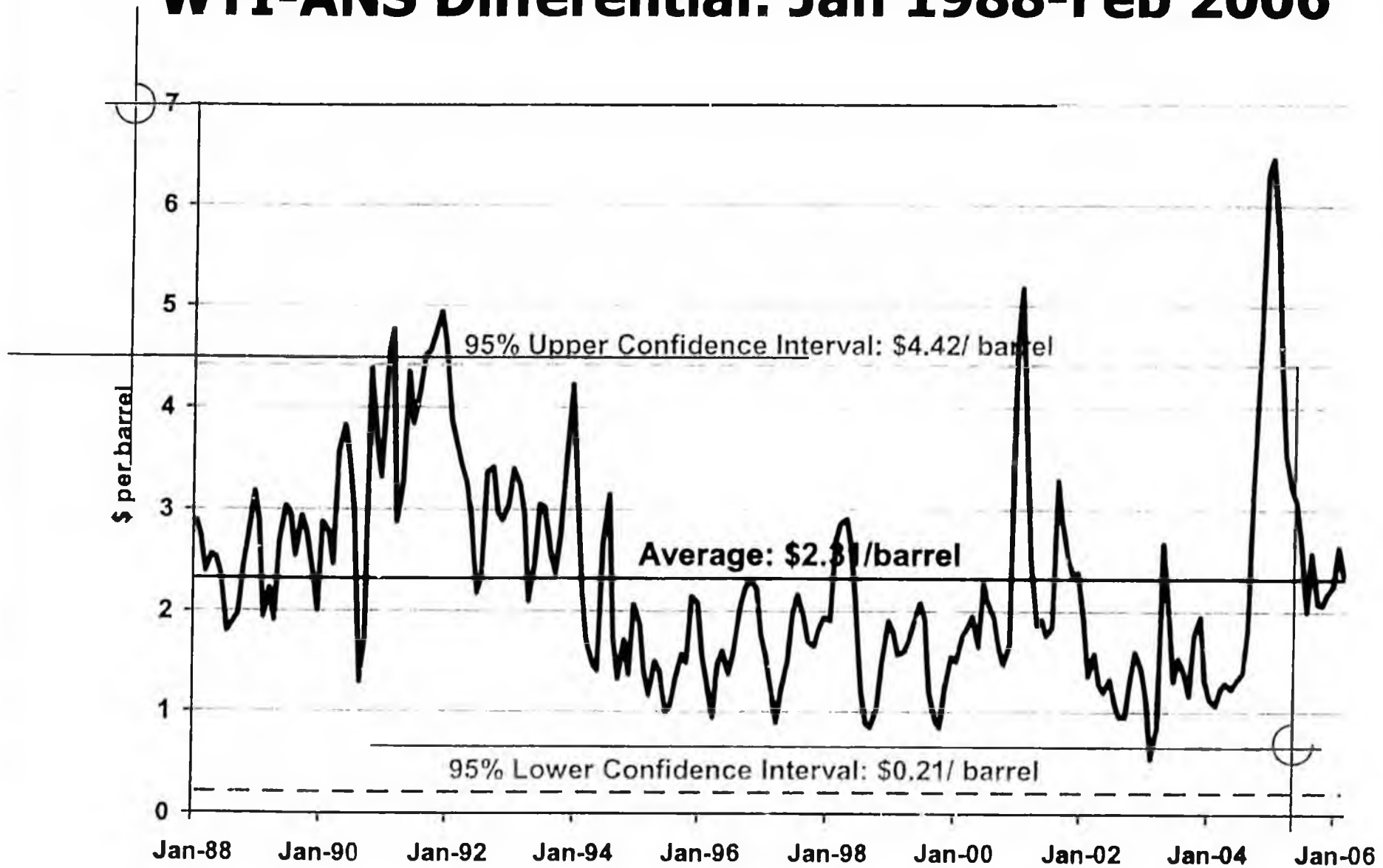


4/3/2006

Schematic Comparison of Tax on Gross Prior to netting out costs at various (INCLUDING VERY HIGH !!!) Oil Prices



WTI-ANS Differential: Jan 1988-Feb 2006



4/3/2006

Transition Provision

◆ Governor's bill

- 5 year lookback, deductible over 6 years

◆ House CS

- 3 months of capex and opex

◆ Senate CS

- 5 year lookback, 2 for 1 recoupment

Transition Treatment

◆ Governor's bill

- Allowable deduction if oil > \$40/bbl

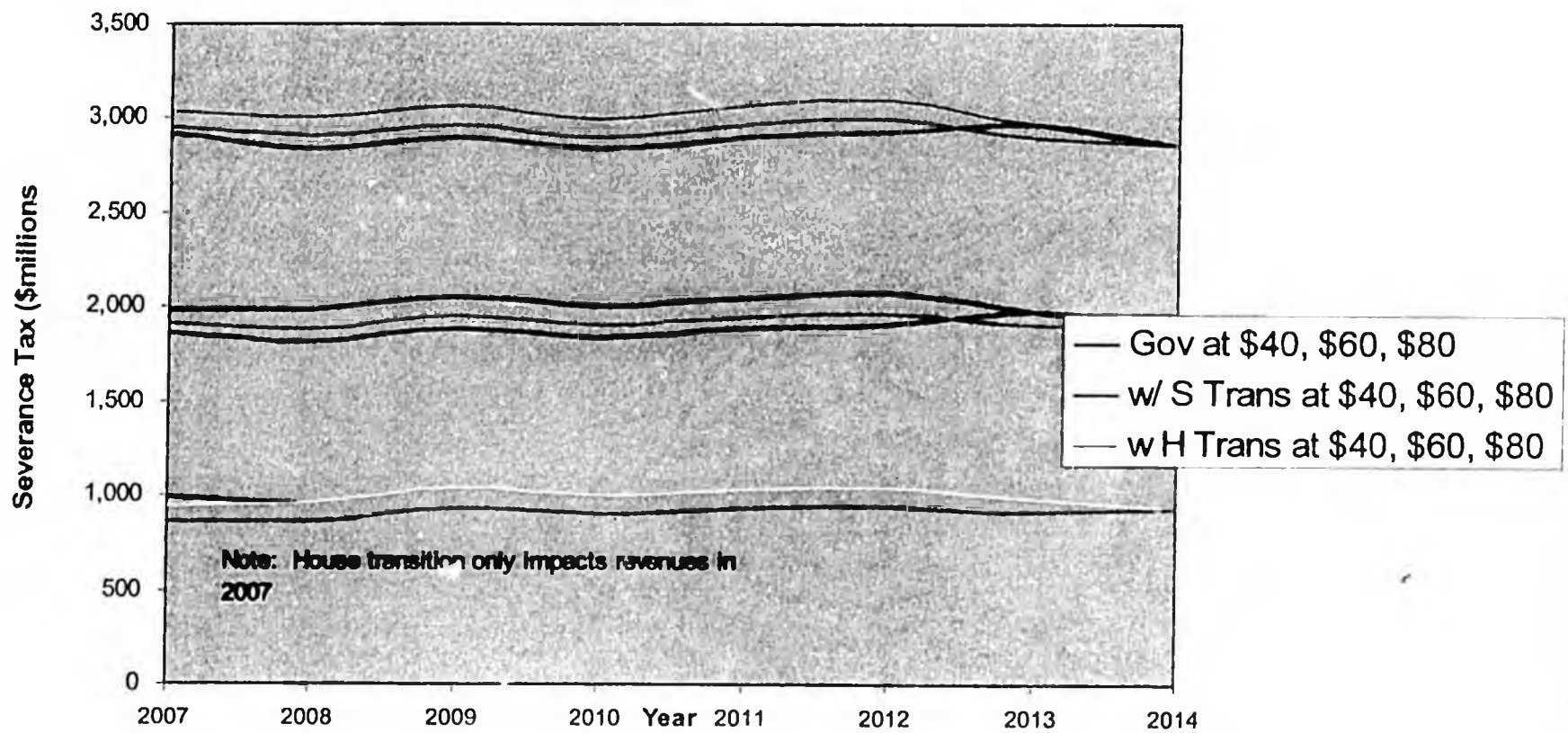
◆ House CS

- Deduction over 9 months
- No oil price test

◆ Senate CS

- Credit—no oil price test
- Sunsets 3/31/2013

Transition Provision
Annual Oil Severance Tax (Millions of 2005 Dollars)
Low Volume Scenario, \$40, \$60, and \$80 per bbl
Governor's Bill, with House Transition, and with Senate Transition



Base Allowance

◆ Governor's bill

- Up to \$73M standard deduction

◆ House CS

- Up to \$12M credit (= \$60M deduction)

◆ Senate CS

- 5000 barrel plan

Base Allowance Sunset

- ◆ Governor's bill

- No sunset

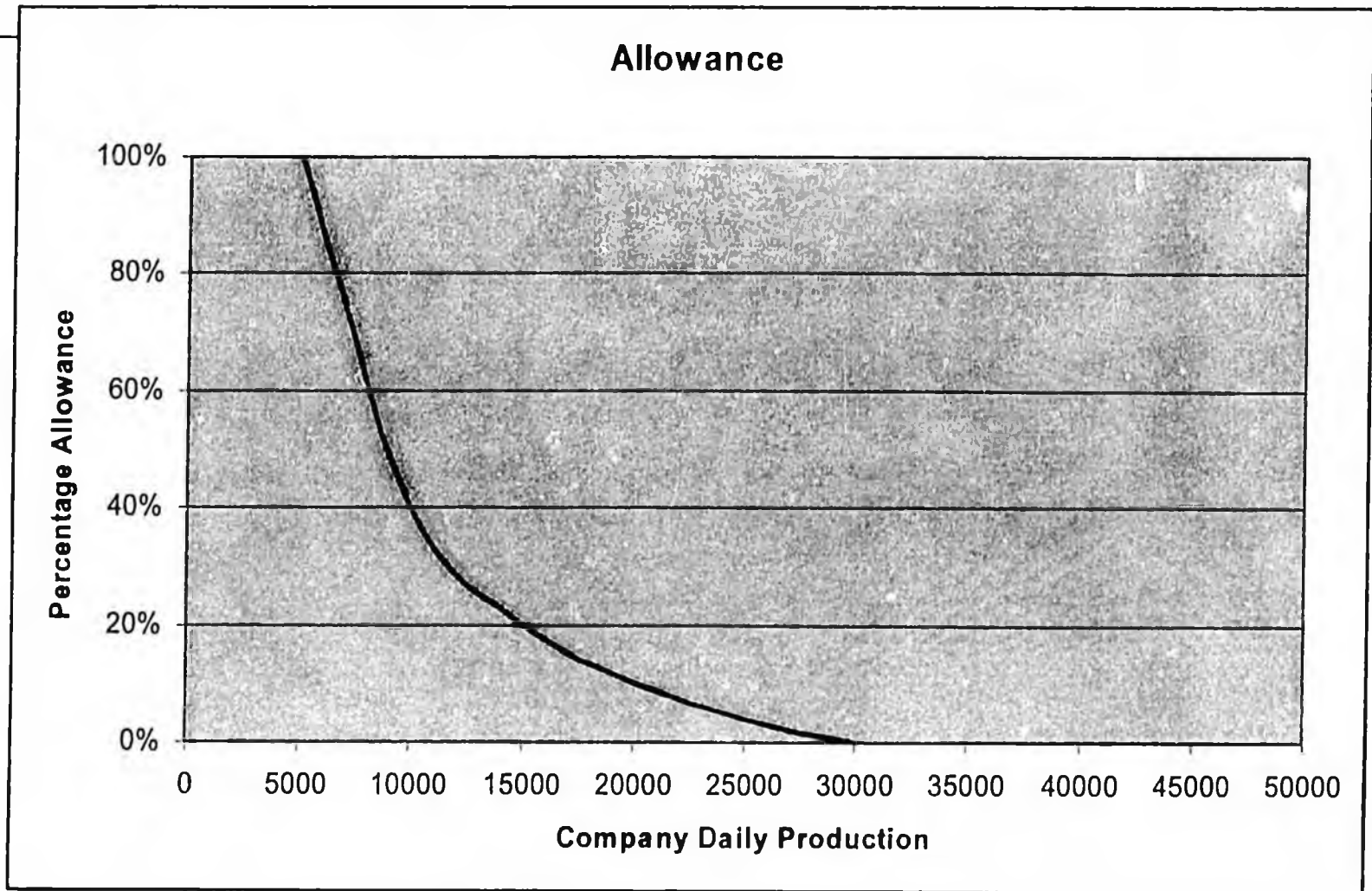
- ◆ House CS

- Sunsets 3/31/2016

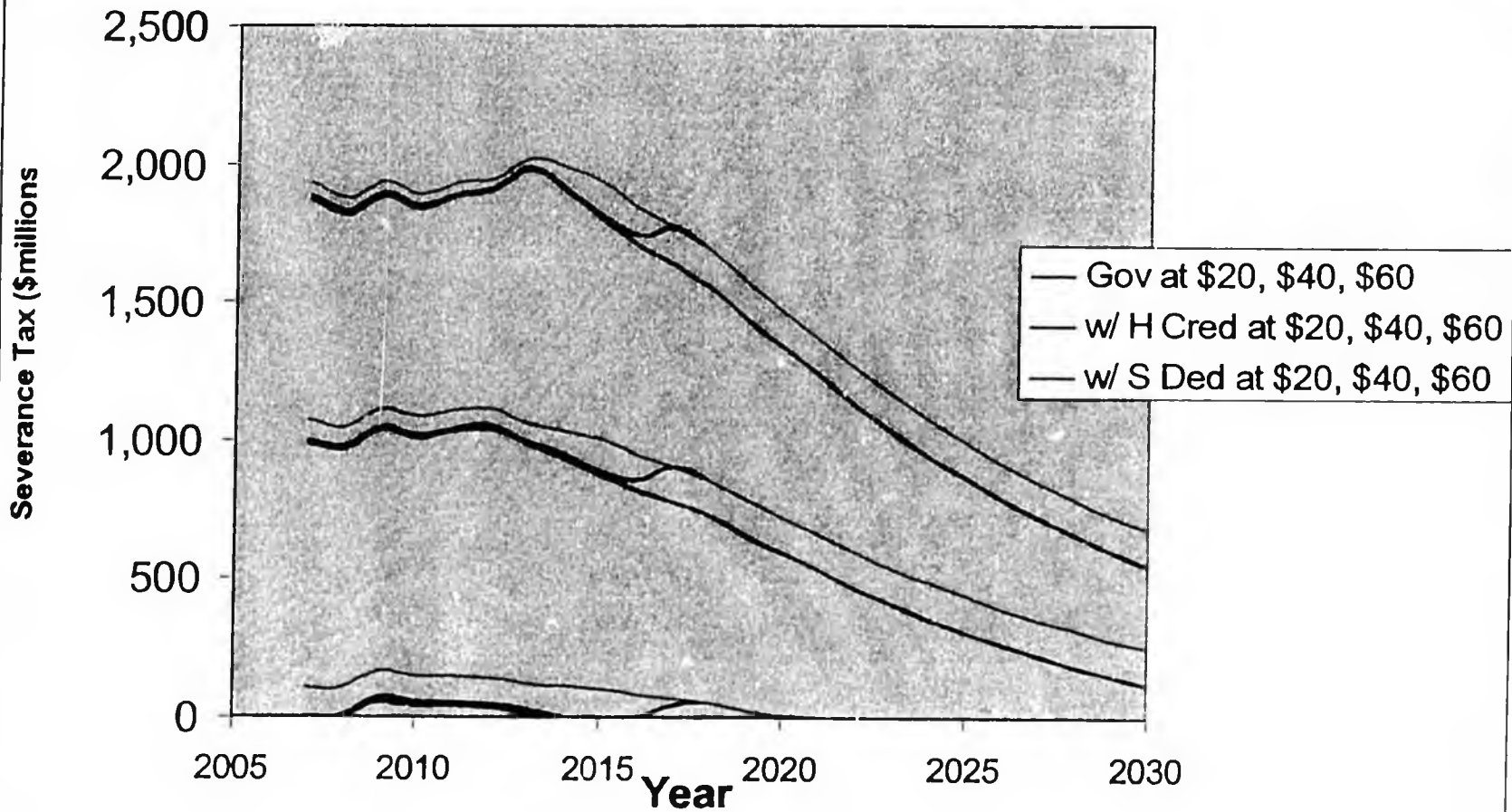
- ◆ Senate CS

- Sunsets 12/31/2013

Illustration of base allowance at various production levels



Base Allowance, or Credit
Annual Oil Severance Tax (Millions of 2005 Dollars)
Low Volume Scenario, \$20, \$40, and \$60 per bbl
Governor's Bill as Written, with House Credit, and with Senate Deduction Provisions



Payment Safe Harbor

◆ Governor's bill

- 90% with annual true-up
- No interest if 90% test met

◆ House CS

- 90% with annual true-up
- Interest due on true-up amount
- Penalty if 90% not met

◆ Senate CS

- 95% with quarterly true-up
- No interest if 95% test met

Spill Surcharges

AS 43.55.201, AS 43.55.300

◆ Governor's bill

- No change to total 5 cents
- No change to split (2/3)

◆ House CS

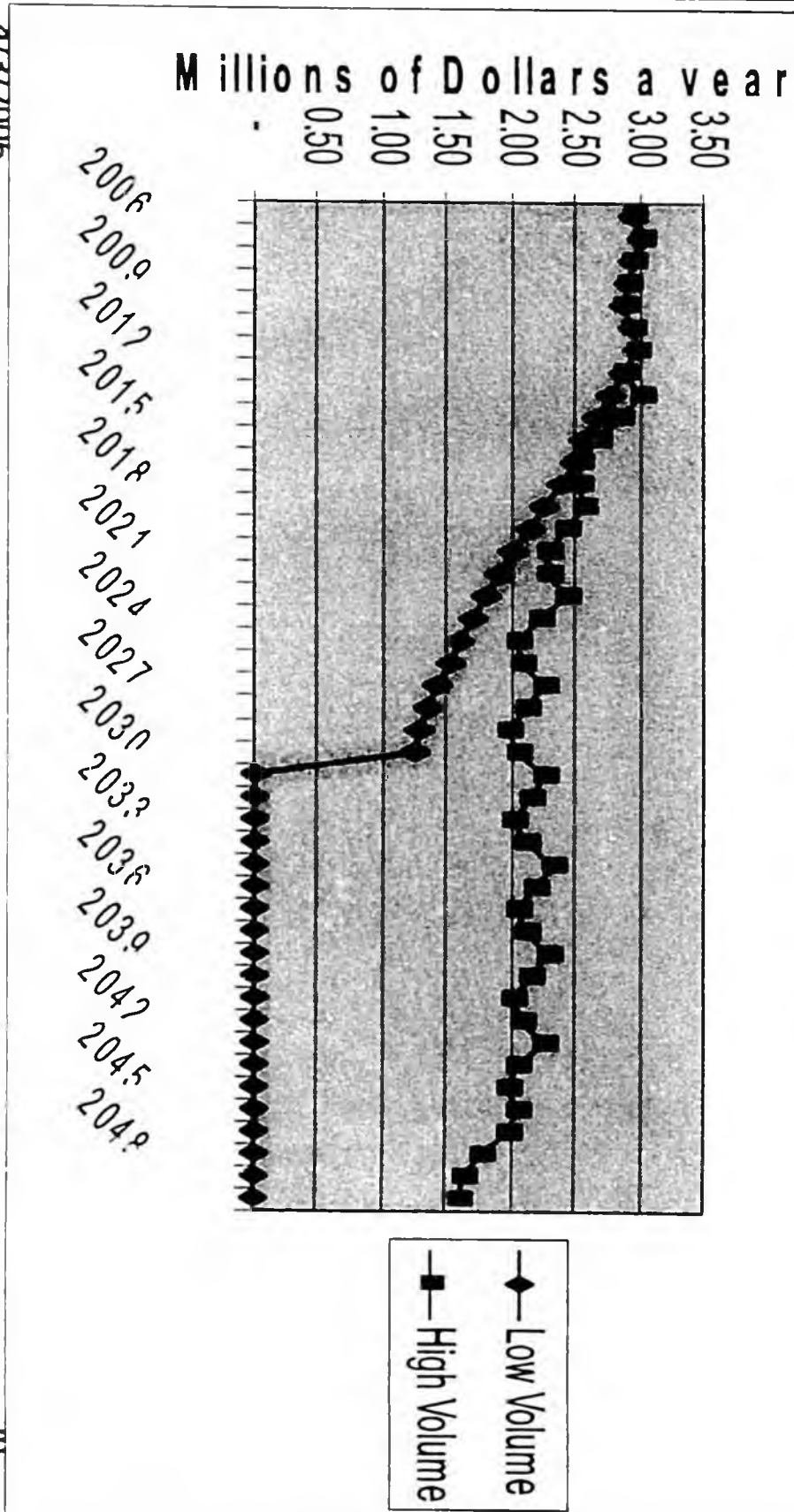
- No change to total 5 cents
- Changes split to 1/4

◆ Senate CS

- Increases total to 6 cents
- Changes split to 1/5

Spill Fees

Effect of 1 penny times Oil Volume



Other differences

- ◆ Credits refundable?
 - Up to \$10M in House CS only
- ◆ Abandonment
 - Governor's bill: no specific provision
 - House CS: No credit available
 - Senate CS: No credit available for old production
- ◆ Catastrophic oil spill expenses not deductible under House CS
- ◆ SB 185 credits: extended 10 years in House CS

Private Royalties

- ◆ State and federal royalty interests are tax free so a producer typically pays tax on $7/8$ ths of its production from these leases.
- ◆ Private royalty interests are not tax free, so producer typically pays tax on $8/8$ ths of its production from these leases.

Private Royalties

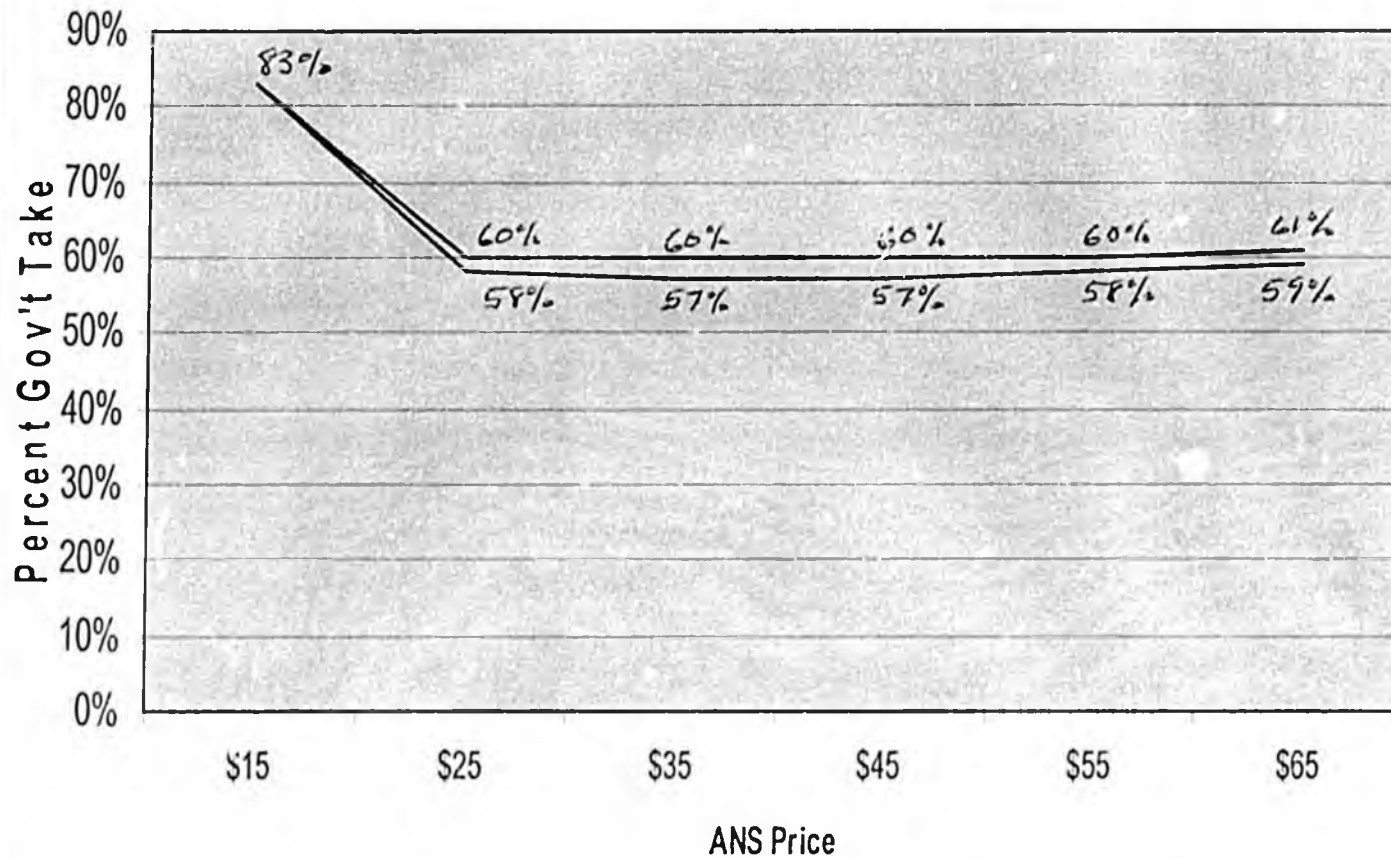
- ◆ Existing law authorizes producer to pass production on to royalty owner
 - Royalty owner bears no responsibility as a tax payer.
 - More difficult to calculate under PPT
- ◆ CS establishes new tax rate on existing private royalty leases, (excludes private lessor's royalty interests from PPT)

Private Royalties - Settlement

- New Formula for Settlement in Gov's Bill:
 - ◆ Total tax paid by producer/Total non-royalty bbls * Private royalty bbls

- New Formula for Settlement in CS:
 - ◆ Total tax paid by producer/total gross value at the point of production * Private royalty bbls

Total Government Take, Senate CS at 25/20 and 20/20, Low Volume Scenario



Senate CS with 25/20
 Senate CS with 20/20

4/3/06 9:55
 am
 Corrected info on
 4/1/06 handout
 distributed by C. Nienhuis
 POR

SLIDE 6

Tax Rate - Governor's Bill with 20/20 and with 25/20, Low Volume						
FY	20/20 at \$20	20/20 at \$40	20/20 at \$60	25/20 at \$20	25/20 at \$40	25/20 at \$60
2007	0	988	1,868	43	1290	2390
2008	0	964	1,816	41	1260	2324
2009	51	1,036	1,882	124	1350	2407
2010	42	1,006	1,835	99	1312	2348
2011	40	1,030	1,880	96	1342	2404
2012	35	1,040	1,901	90	1354	2431
2013	13	982	1,974	61	1282	2522
2014	0	932	1,894	34	1219	2421
2015	0	872	1,795	8	1143	2296
2016	0	815	1,700	0	1071	2178
2017	0	774	1,634	0	1019	2094
2018	0	724	1,552	0	956	1991
2019	0	654	1,436	0	868	1846
2020	0	590	1,330	0	788	1713
2021	0	528	1,228	0	710	1584
2022	0	465	1,123	0	630	1453
2023	0	408	1,028	0	558	1333
2024	0	356	941	0	492	1223
2025	0	307	860	0	431	1122
2026	0	263	787	0	376	1030
2027	0	223	720	0	325	946
2028	0	185	657	0	277	867
2029	0	150	599	0	233	794
2030	0	118	546	0	193	727
Totals	180	15,413	32,984	597	20,480	42,445

SLIDE 7

Progressivity: Annual Revenues, Governor's bill with No Progressivity, with House Progressivity, and with Senate Progressivity, Low Volume									
FY	No Prog at \$50	with H Prog at \$50	with S Prog at \$50	No Prog at \$60	with H Prog at \$60	with S Prog at \$60	No Prog at \$70	with H Prog at \$70	with S Prog at \$70
2007	1,345	1,345	1517	1,868	2,375	2,290	2391	3493	3142
2008	1,307	1,307	1475	1,816	2,312	2,229	2325	3402	3059
2009	1,376	1,376	1550	1,882	2,391	2,306	2389	3488	3138
2010	1,337	1,337	1508	1,835	2,335	2,251	2333	3413	3069
2011	1,372	1,372	1546	1,880	2,389	2,304	2388	3489	3138
2012	1,387	1,387	1562	1,901	2,415	2,329	2415	3526	3173
2013	1,478	1,478	1647	1,974	2,469	2,387	2471	3542	3201
2014	1,413	1,413	1576	1,894	2,373	2,293	2375	3412	3082
2015	1,333	1,333	1490	1,795	2,253	2,177	2256	3249	2933
2016	1,257	1,257	1407	1,700	2,139	2,066	2143	3094	2792
2017	1,204	1,204	1349	1,634	2,060	1,989	2064	2986	2693
2018	1,138	1,138	1277	1,552	1,961	1,892	1965	2852	2570
2019	1,045	1,045	1176	1,436	1,822	1,757	1827	2663	2397
2020	960	960	1084	1,330	1,694	1,633	1700	2489	2238
2021	878	878	995	1,228	1,571	1,514	1578	2323	2086
2022	794	794	903	1,123	1,445	1,391	1452	2150	1928
2023	718	718	821	1,028	1,330	1,280	1338	1994	1785
2024	648	648	745	941	1,225	1,177	1233	1850	1654
2025	584	584	674	860	1,128	1,083	1136	1718	1533
2026	525	525	611	787	1,039	997	1048	1598	1423
2027	471	471	552	720	958	918	968	1487	1322
2028	421	421	498	657	883	845	893	1385	1228
2029	374	374	447	599	813	777	823	1289	1141
2030	332	332	401	546	749	715	760	1203	1062
Totals	23,699	23,699	26,811	32,984	42,127	40,603	42,270	62,096	55,788

SLIDE 13

Transition: Governor's Bill as Written, with House Transition, and with Senate Transition, Low Volume									
FY	Gov at \$40	with H Trans at \$40	with S Trans at \$40	Gov at \$60	with H Trans at \$60	with S Trans at \$60	Gov at \$80	with H Trans at \$80	with S Trans at \$80
2007	988	938	863	1868	1985	1910	2914	3031	2956
2008	964	964	864	1816	1982	1882	2833	3000	2900
2009	1,036	1,036	936	1882	2049	1949	2895	3061	2961
2010	1,006	1,006	906	1835	2002	1902	2831	2997	2897
2011	1,030	1,030	930	1880	2046	1946	2896	3062	2962
2012	1,040	1,040	940	1901	2068	1968	2929	3096	2996
2013	982	982	907	1974	1974	1899	2967	2967	2892
2014	932	932	932	1894	1894	1894	2856	2856	2856
2015	872	872	872	1795	1795	1795	2717	2717	2717
2016	815	815	815	1700	1700	1700	2585	2585	2585
2017	774	774	774	1634	1634	1634	2494	2494	2494
2018	724	724	724	1552	1552	1552	2379	2379	2379
2019	654	654	654	1436	1436	1436	2218	2218	2218
2020	590	590	590	1330	1330	1330	2070	2070	2070
2021	528	528	528	1228	1228	1228	1928	1928	1928
2022	465	465	465	1123	1123	1123	1781	1781	1781
2023	408	408	408	1028	1028	1028	1648	1648	1648
2024	356	356	356	941	941	941	1526	1526	1526
2025	307	307	307	860	860	860	1413	1413	1413
2026	263	263	263	787	787	787	1310	1310	1310
2027	223	223	223	720	720	720	1216	1216	1216
2028	185	185	185	657	657	657	1129	1129	1129
2029	150	150	150	599	599	599	1047	1047	1047
2030	118	118	118	546	546	546	974	974	974
2007-2014	7,980	7,930	7,280	15,050	16,000	15,350	23,120	24,070	23,420

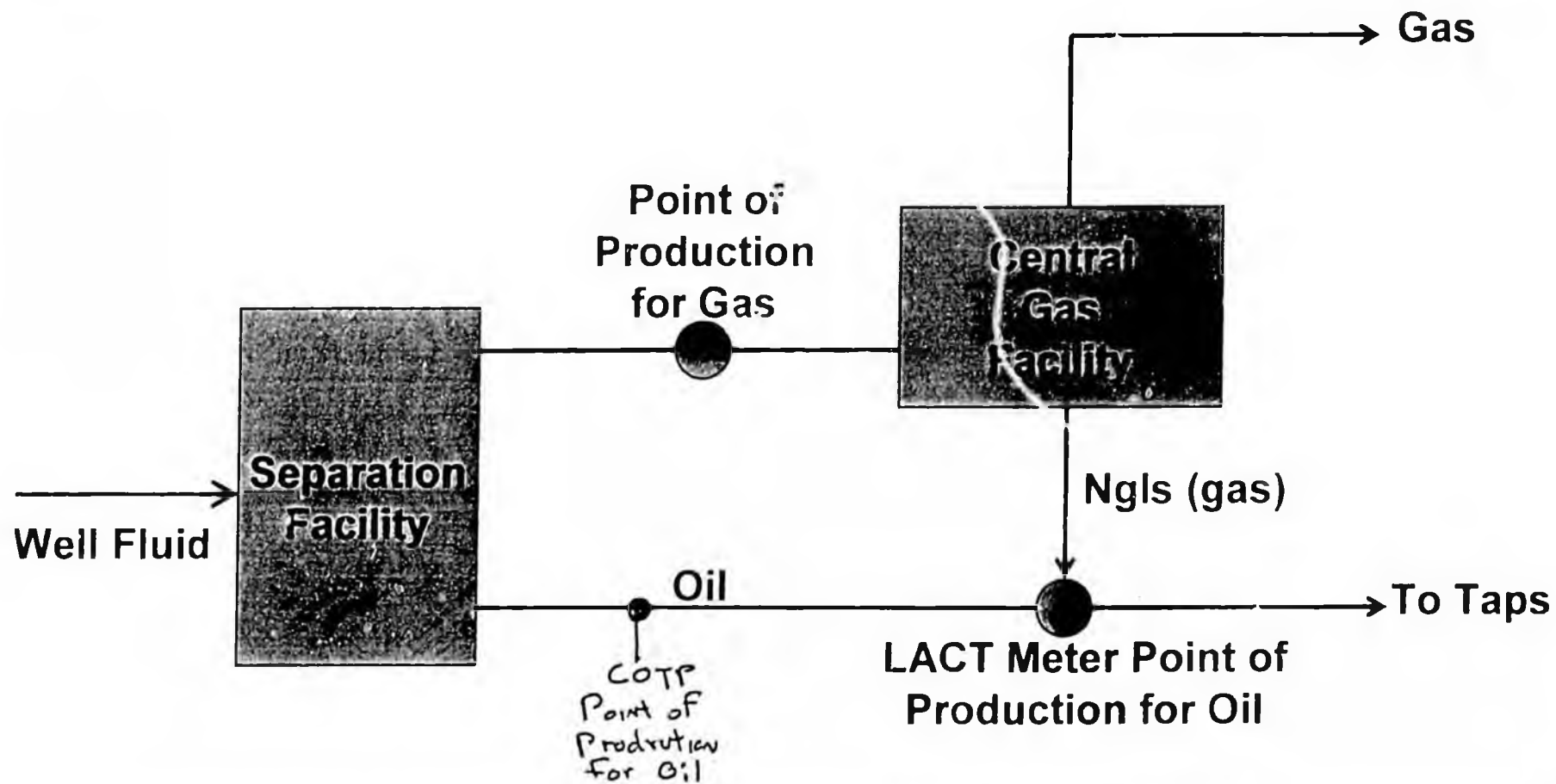
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SLIDE 17

Base Allowance or Credit, Governor's Bill as Written, with House Credit, and with Senate Credit, Low Volume									
FY	Gov at \$20	with H Cred at \$20	with S Ded at \$20	Gov at \$40	with H Cred at \$40	with S Ded at \$40	Gov at \$60	with H Cred at \$60	with S Ded at \$60
2007	0	8	109	988	1000	1074	1868	1879	1926
2008	0	7	108	964	976	1049	1816	1827	1873
2009	53	73	172	1036	1048	1117	1882	1894	1935
2010	42	53	152	1006	1018	1086	1835	1847	1886
2011	40	51	149	1030	1042	1107	1880	1891	1926
2012	35	46	144	1040	1051	1114	1901	1912	1944
2013	13	24	122	982	994	1058	1974	1986	2018
2014	7	3	112	932	943	1035	1894	1905	1981
2015	0	0	103	872	884	1004	1795	1806	1926
2016	0	0	83	815	856	946	1700	1741	1831
2017	0	43	68	774	905	905	1634	1765	1765
2018	0	52	52	724	855	855	1552	1683	1683
2019	0	30	30	654	786	786	1436	1568	1568
2020	0	10	10	590	721	721	1330	1461	1461
2021	0	0	0	528	660	660	1228	1359	1359
2022	0	0	0	465	597	597	1123	1255	1255
2023	0	0	0	408	540	540	1028	1160	1160
2024	0	0	0	356	487	487	941	1072	1072
2025	0	0	0	307	439	439	860	991	991
2026	0	0	0	263	395	395	787	918	918
2027	0	0	0	223	354	354	720	851	851
2028	0	0	0	185	317	317	657	789	789
2029	0	0	0	150	281	281	599	730	730
2030	0	0	0	118	250	250	546	677	677
Totals	182	400	1,413	15,413	17,396	18,176	32,984	34,968	35,526

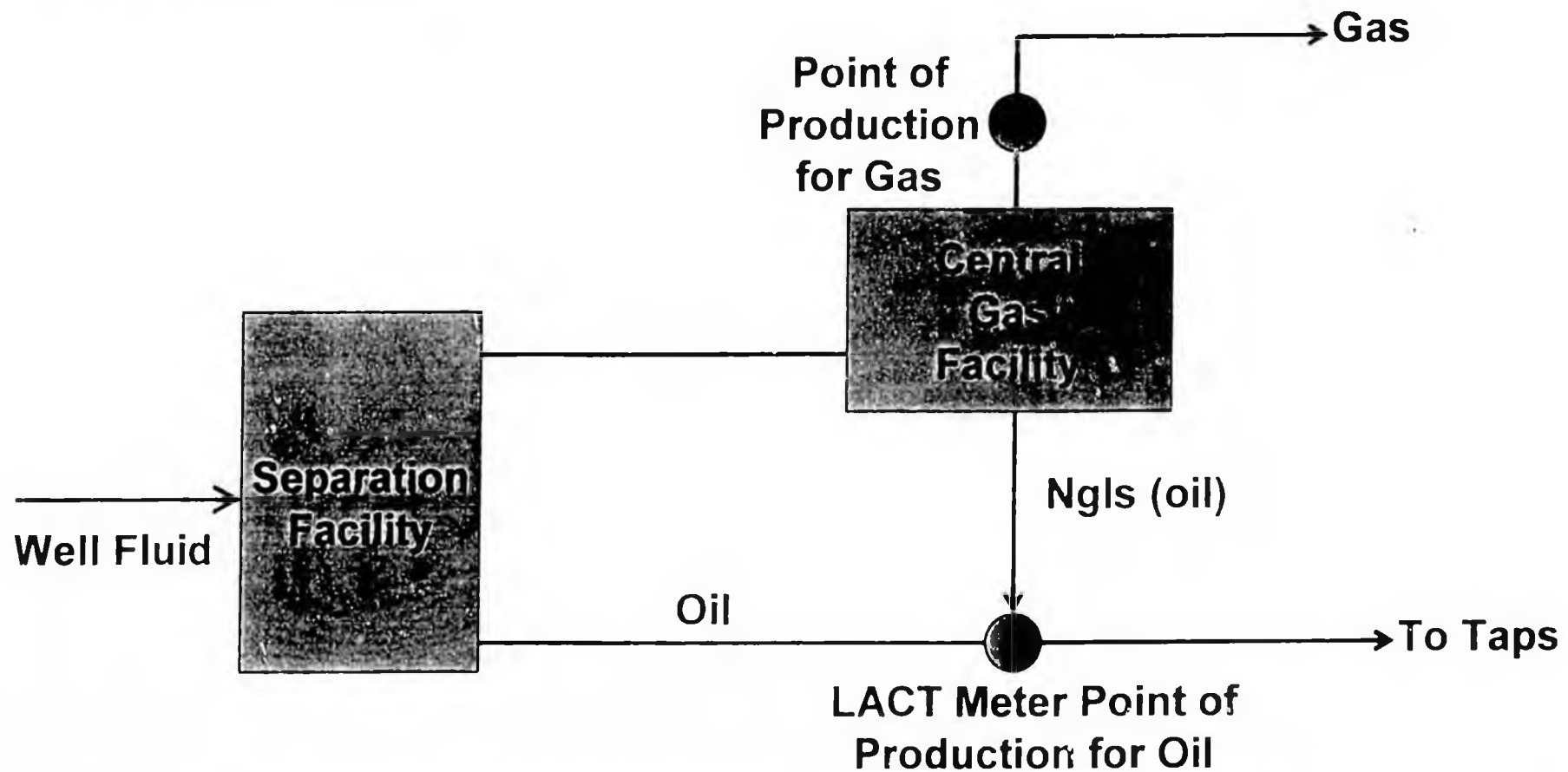
Prudhoe Bay: Point of Production

- Current



Prudhoe Bay: Point of Production

- Proposed



Goal:

- Simplified definitions that will not lead to low value-added conflicts
- Incentivize all production activity

4/3/2006

COMPARISON OF PPT BILL VERSIONS--HIGHLIGHTS

source: DOR

	governor's bill	House Resources CS Version L	Senate Resources CS Version C
tax rate	20% .011(a)--page 3	20% .011(a)--page 3	25% .011(e)--page 3
credit rate	20% .024(a)--page 5	20% .024(a)--page 8	20% .024(a)--page 7
private royalty tax rate	no special rate	5% .011(e)--page 3-4	1.5% (Cook Inlet), 5% other .011(f)--page 3
progressivity surcharge	none	over \$50/bbl WTI, (.3% x (WTI - \$50) x gross; <\$110 rate is 37.5% .011(f)--page 4	over \$40/bbl, (ANSwc - \$40) x .002 x ANSw h x .75 x bbls .011(g)--page 4
special gas progressivity?	n/a	yes .011(i)--page 4-5	no
prcgressivity deductible?	n/a	yes .160(a)--page 18	yes, but not clear
transition	5 yr lookback of capex .160(g)--page 15	3 mo. of capex & opex. ? Sec. 42 uncodified--page 30	5 yrs. lookback capex 2 for 1 recoupment .024(i)--page 10
transition treatment	deduction over 6 yr, if ANSwc >=\$40 .160(g)--page 15	deduction over 9 mo. no oil price test Sec. 42 uncodified--page 30	credit; no oil price test .024(i)--page 10
sunset of transition	no	n/a	3/31/2013 .160(i)--page 10
base allowance	\$73M deduction .160(l)--page 16	\$12M credit (equates to \$60M ded.) .170(a)--page 23	5000 bbl plan .160(g)--page 19-20
sunset of base allowance	none	3/31/2016 (exp incurred) .170(e)--page 24	12/31/2013 .160(h)--page 20
safe harbor	90%, annual true-up, no interest .020(a)--page 3	90% with interest .020(g)--page 7	95% quarterly true-up, no interest .020(a)--page 5
pmt < safe harbor??	interest only .020(a)--page 3	5% penalty + interest .020(h)--page 7	interest only .020(a)--page 5
effective date	7/1/2006 page 20	4/1/2006 Section 45--page 30	4/1/2006 Sec. 38--page 28
transition payment	none	6 mos. pymt on old system; true-up in 7th mo. sec. 39--page 28	6 mos. pymt on old system; true-up in 7th mo. sec. 33--page 26
spill surcharge total	no change (5 cents)	no change (5 cents)	increase 1 cent, to 6 cents
spill surcharge split (2017.30G)	2/3	1/4	1/5
spill surcharge payable	no change	increase 1 cent page 24-25	increase 2 cents page 22-23
surcharge treatment	creditable against PPT page 17-18	not creditable, not ded. .160(d)(2)(L)--page 21	not creditable, not ded. .160(d)(2)(L)--page 17
SB 185 credit	no change	extends 10 years; only usable against PPT .025(b), .025(f)--page 11-12	no change
abandonment	no provision	no credit .024(i)(2)--page 11	deductible; no credit abandonment on old production .024(h)(2)--page 9
credits usable	against PPT only .024(a)--page 3	against PPT only .024(a)--page 8	against PPT only? .024(c)--page 8
credits transferable	yes--20% tax limit .024(d)--(e)--page 6	yes--20% tax limit .024(d)--(e)--page 8-9	yes--20% tax limit .024(d)--(e)--page 8-9
credits refundable?	no	up to \$10M depends on investment .024(f)(5)--page 9-10	no
credits for annual loss	yes, at 20% .024(b)--page 5	yes, at 20% .024(b)--page 8	yes, at 25% .024(b)--page 7
point of production	gas treatment upstream .900(7)--page 19	gas treatment upstream .900(7)--page 25-26	gas treatment upstream .900(7)--page 23
DNR royalty value	yes .150(d)--page 11	yes .150(d)--page 17-18	yes .150(d)--page 14
IRC sec. 482 as a tool	no	no	yes, including 5% penalty .160(l)--page 21
catastrophic oil spill deductible?	yes, if on lease (not precluded)	no .160(c)--page 19	yes, if on lease (not precluded)

4/3/06 10:16 AM

CSSB 305 (RES):
The Rest of the Story

Before the Senate Finance
Committee

Dan E. Dickinson, CPA

Robert E. Mintz, Dept. of Law

April 3, 2006

1
4/3/06
9:04 to 9:44 AM

Sections 1 & 11

- Clarify AS 43.55.020 (f) to reflect consistent department interpretation, upheld in formal hearing decision in 1996
- Prevailing Value is used to set a taxable value for internally refined barrels
- May be moot for a taxpayer using "DNR" or formulaic valuation